

SIDE LETTER AGREEMENT NO. 2 AMENDING THE MOU
BETWEEN THE MOUNTAIN VIEW POLICE OFFICERS ASSOCIATION
AND THE CITY OF MOUNTAIN VIEW

1. The City of Mountain View ("City") and the Mountain View Police Officers Association ("Union") are parties to a Memorandum of Understanding ("MOU") with a term of July 1, 2017 through June 30, 2020.
2. The California Public Employees Retirement System (CalPERS) notified the City of the requirement to submit revised resolutions for employer contributions under the Public Employees' Medical and Hospital Care Act ("PEMHCA").
3. The parties agree to enter into this Side letter agreement to comply with CalPERS and PEMHCA to fix the employer contribution at an equal amount for employees and annuitants.
4. Therefore, the parties hereby modify the MOU as described below.

8.01 Medical Benefits—Sworn Employees

8.01.1 Transition to Public Employees Medical and Hospital Care Act (PEMHCA)

Following a study jointly conducted by the MVFF and City, the POA and City have agreed that all represented sworn POA members will migrate to the CalPERS health system provided under the Public Employees Medical and Hospital Care Act (PEMHCA) (Government Code Section 22750, *et seq.*). This migration will apply to unrepresented sworn Police employees and retired sworn Police employees as well. The anticipated migration date is March 2014.

All represented sworn members will be covered by an equal contribution resolution which will apply to current and future represented sworn members, unrepresented sworn Police personnel, and retired sworn Police personnel.

8.01.2 Cost Sharing

The migration to PEMHCA is the result of an extensive study jointly conducted by MVFF and the City between July 2012 and

September 2013. The study made numerous assumptions, as identified in the August 26, 2013 final Bickmore report and the Assessment of Total Financial Impact of Migrating Active and Retired Sworn Employees to PEMHCA, dated September 6, 2013. Based on these assumptions and the ongoing contribution of 1.2 percent of salary toward the Retirees' Health Trust (see Section 8.03 below), MVFF and the City expect that the migration to PEMHCA alone will not increase overall costs to the City in the short or long term, compared to continuation of medical benefits through City-contracted insurance, and may provide net savings to the City. The net impact to the City was calculated in the study by considering the Annual Required Contribution (ARC) for retirees' health benefits for sworn employees; City costs for health premiums for active sworn employees; estimated new City costs for health premiums related solely to having a smaller group of insured individuals; City costs for vision for active sworn employees in Kaiser; and the value of sworn employee contributions toward the Retirees' Health Trust. These same factors will be used to determine the net impact of migration to PEMHCA as further discussed in Section 8.01.3.

8.01.3 Reconciliation of Anticipated Savings to Actual Experience Following Migration

In Fiscal Year 2015-16, the City will evaluate whether the net savings anticipated in the Fiscal Year 2012-13 study have been realized. This study will use the same financial factors as identified in Section 8.01.2. If a net savings was not realized and instead net costs increased, this study will isolate the source of the increased costs to determine whether the migration to PEMHCA was a factor. In order to maintain consistency between the 2013 and 2015 studies, the City and POA agree it would be ideal for the 2015 study to be conducted by Bickmore, the firm which provided actuarial and consulting services for the 2013 study. The City will attempt to engage Bickmore for the 2015 study. Should Bickmore no longer be in business or unable to conduct the study, the City retains the right to choose the actuarial firm to conduct the 2015 study and, in that situation, would direct the firm to use the actuarial assumptions used in the 2013 study and further described below.

Based on the City's experience at the time of the study and advice of the consultant jointly hired by the City and MVFF, the Fiscal Year 2012-13 study made numerous assumptions in three main

areas; key examples are provided here for illustration with the comprehensive list of assumptions provided in the study documents:

- The initial migration to PEMHCA (such as the health plans selected by employees and retirees, the level of dependent coverage, and enrollment by retirees eligible for health coverage under PEMHCA but not eligible for the City Retiree Health Program);
- The impact to City health plan premiums associated with having a smaller number of insured individuals, City costs for vision for active sworn employees in Kaiser and for retirees, and the value of sworn employee contributions toward the Retirees' Health Trust; and
- Actuarial assumptions to project events and costs over time, as reflected in the ARC (Discount Rate, Mortality Rates, Termination Rates, Service Retirement Rates, Disability Retirement Rates, Medicare Eligibility, Health Care Trend, Participation Rates, Spouse Coverage, Dependent Coverage).

For the purpose of determining whether the City incurred net increased costs as a result of the migration to PEMHCA rather than obtaining net savings, the Fiscal Year 2015-16 study will compare the actual experience in migrating to PEMHCA to the assumptions made in the Fiscal Year 2012-13 study as follows:

- It will determine whether the initial migration to PEMHCA occurred as expected, specifically the health plans selected by employees and retirees, the level of dependent coverage, and enrollment by retirees eligible for health coverage under PEMHCA but not eligible for the City Retiree Health Program;
- It will clearly demonstrate the extent to which City health plan premiums changed solely as a result of having a smaller number of insured individuals, actual City costs for vision for active sworn employees in Kaiser and for retirees, and the value of sworn employee contributions toward the Retirees' Health Trust; and
- It will determine whether the ARC changed as expected in the Fiscal Year 2012-13 study by conducting a retiree health

valuation as of July 1, 2015. It is understood that retiree health valuations conducted by the City in the future may use different actuarial assumptions than used in the Fiscal Year 2012-13 study based on the City's actual experience following migration, but for the purposes of the Fiscal Year 2015-16 study to assess the impact of migrating to PEMHCA, the same numerical actuarial assumptions related to Discount Rate, Mortality Rates, Termination Rates, Service Retirement Rates, Disability Retirement Rates, Medicare Eligibility, Health Care Trend, Participation Rates, Spouse Coverage, and Dependent Coverage will be used as were used in the Fiscal Year 2012-13 study. The Fiscal Year 2015-16 study will also exclude the implicit subsidy liability, as was the case in the Fiscal Year 2012-13 study.

The study will identify the results for sworn Fire and sworn Police employee groups separately. Any costs associated with this evaluation will be borne solely by the City.

POA and the City further agree that if the Fiscal Year 2015-16 study illustrates that the migration to PEMHCA resulted in higher net costs to the City in calendar years 2014 and/or 2015 rather than net savings, the parties will meet and confer over ways to pay for the higher costs. POA and the City agree to meet as quickly as possible to resolve this issue. If, within 60 days of the Fiscal Year 2015-16 study results being provided to POA, the parties are not able to agree on a method to pay for the increased costs in calendar years 2014 and/or 2015, the represented sworn members' 1.2 percent salary contribution toward the Retirees' Health Trust will increase up to a maximum of 2 percent in order to pay the cost over a five-year period, an approach to cost repayment which may be subsequently modified by mutual agreement between POA and the City. Unrepresented sworn managers would have the same obligation to repay costs experienced by the City in calendar years 2014 and/or 2015.

8.01.4 City Contributions Towards Medical Premiums

Following migration to PEMHCA, initial City contributions for medical insurance premiums are established as follows:

- *For single-level coverage:* The City will pay the full premium for single coverage for full-time regular employees and eligible retirees for any plan, up to, but not exceeding, the single-coverage premium for the Maximum plan. The employee or retiree will pay the additional cost of any plan which has a higher monthly cost than the Maximum plan.
- *Dependent-level coverage:* The City will pay 92 percent of the total premium for the employee and his or her dependents, up to, but not exceeding, 92 percent of the two-party or family premium for the Maximum plan, respectively. The employee or retiree will pay the remaining premium, which will be at least 8 percent of the two-party or family premium; more if the plan selected has a higher premium than the Maximum plan.
- The Maximum plan for active employees and pre-Medicare retirees will be the plan with the third-highest health-only premium available in Region 1 ~~the Bay Area (Kaiser in 2014)~~. For Medicare-eligible retirees, the Maximum plan will be the average of health-only premiums available ~~in the Bay Area~~ Region 1 for "Supplement to Medicare" or "Combination" rates, depending on the plan selected by the retiree.

Party Rate	Contribution
1	100% of the third highest Single Basic (Party Rate 1) health-only premium available in the Bay Area
2	92% of the third highest Two Party Basic (Party Rate 2) health-only premium available in the Bay Area, or 92% of the premium enrolled, whichever is less
3	92% of the third highest Family Basic (Party Rate 3) health-only premium available in the Bay Area, or 92% of the premium enrolled, whichever is less

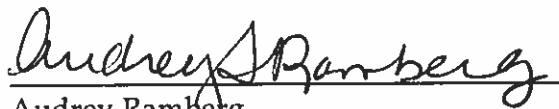
Party Rate	Contribution
4	100% of the average of all Single Medicare (Party Rate 4) health-only premiums available in the Bay Area
5	92% of the average of all Two-Party Medicare (Party Rate 5) health-only premiums available in the Bay Area, or 92% of the premium enrolled, whichever is less
6	92% of the average of all Family Medicare (Party Rate 6) health-only premiums available in the Bay Area, or 92% of the premium enrolled, whichever is less
7	92% of the average of all Two-Party Combination (Party Rate 7) health-only premiums available in the Bay Area, or 92% of the premium enrolled, whichever is less
8	92% of the average of all Family Combination (Party Rate 8) health-only premiums available in the Bay Area, or 92% of the premium enrolled, whichever is less
9	92% of the average of all Family Combination (Party Rate 9) health-only premiums available in the Bay Area, or 92% of the premium enrolled, whichever is less
10	92% of the average of all Two-Party Combination (Party Rate 10) health-only premiums available in the Bay Area, or 92% of the premium enrolled, whichever is less
11	92% of the average of all Family Combination (Party Rate 11) health-only premiums available in the Bay Area, or 92% of the premium enrolled, whichever is less
12	92% of the average of all Family Combination (Party Rate 12) health-only premiums available in the Bay Area, or 92% of the premium enrolled, whichever is less

8.01.5 PORAC Membership Fee

The parties agree that represented sworn members who choose health insurance plans offered by PORAC through CalPERS will pay the membership fee associated with PORAC plans, and that the City will not pay PORAC membership fees.

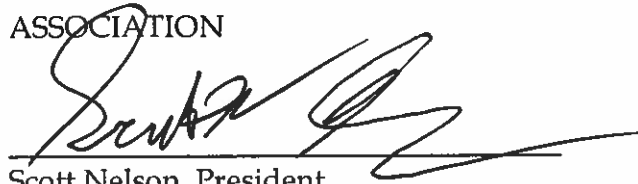
The foregoing represents the full agreement of the parties. All terms and conditions set forth in the MOU which are not specifically modified by this Side letter shall remain in full force and effect.

CITY OF MOUNTAIN VIEW

A handwritten signature in cursive script, reading "Audrey Ramberg", written over a horizontal line.

Audrey Ramberg
Assistant City Manager

MOUNTAIN VIEW POLICE OFFICERS
ASSOCIATION

A handwritten signature in cursive script, reading "Scott Nelson", written over a horizontal line.

Scott Nelson, President
Mountain View Police Officers Association